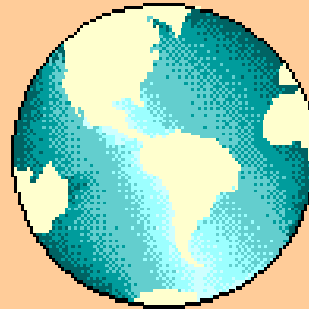
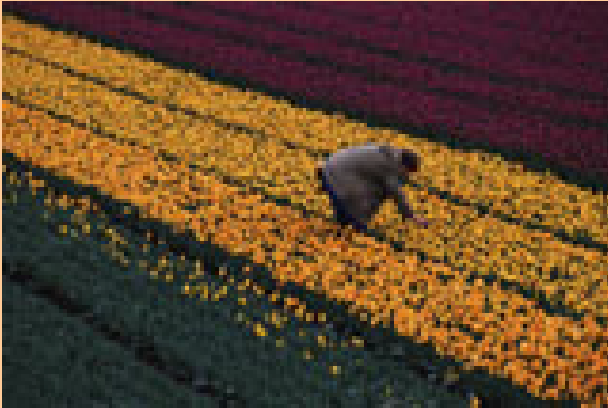


Managing Economic Vulnerability



Presented by:

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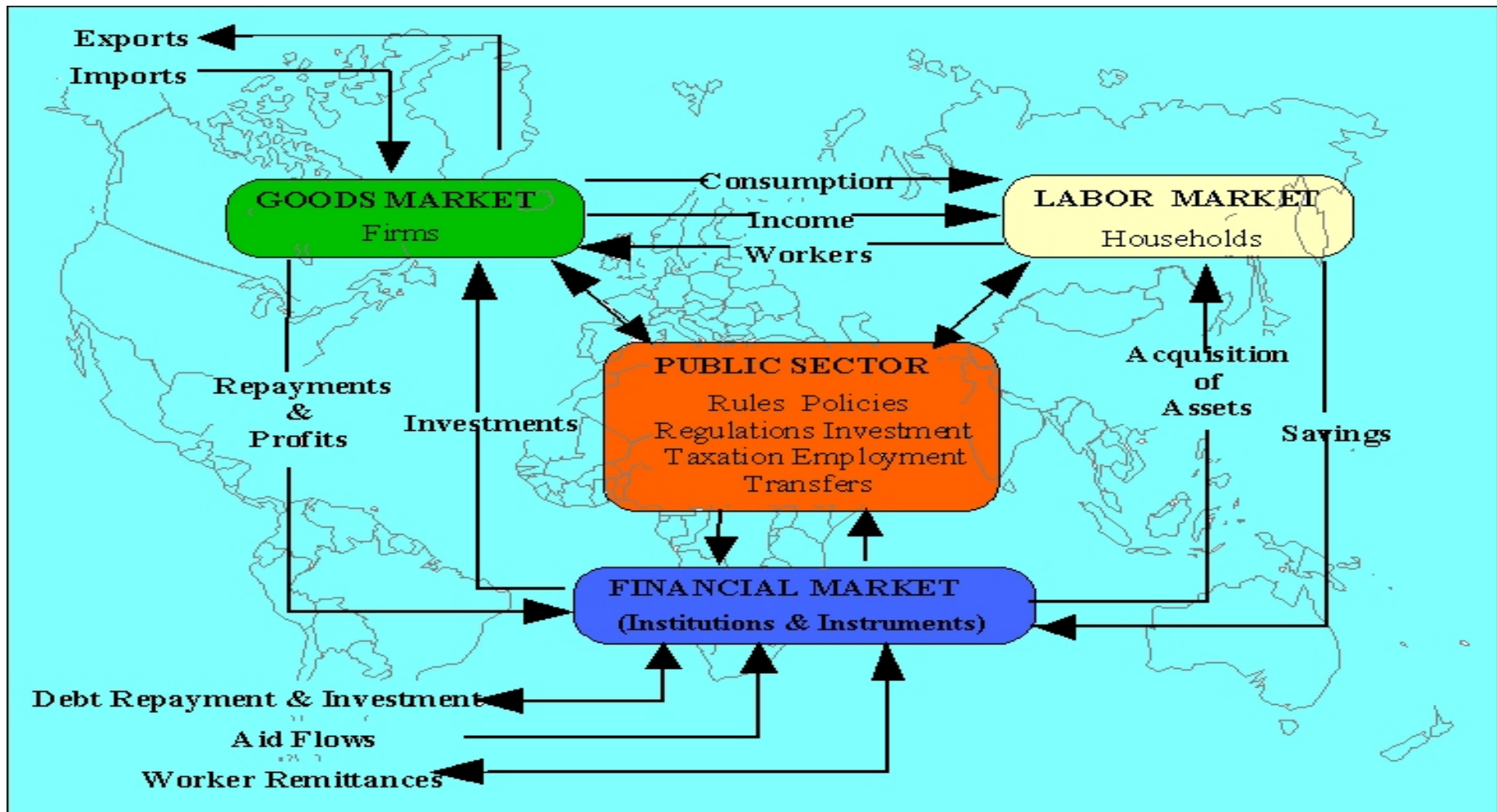
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Three Markets:

Determinants of Competitiveness



Poor Rural Households are Linked to Markets

- **Goods Market as producer/vendors and as Consumers and users of inputs**
- **Labor Market: on-farm and off-farm work including international migration, e.g. Coffee Harvests in Central America**
- **Financial Markets: Formal and Informal including financial flows from remittances**

Market Determinants of Value Accruing to Rural Households

- Market Prices for Goods and Services
- Marginal Productivity of Human Effort and Opportunity Cost of Human Time
- Prices and Availability of Complements
- Asset and financial markets (institutions and instruments)

Asset Augmentation is Needed for Improved Rural Livelihoods

Human Capital

- Healthy Time to Work
- Skills, Experience and Entrepreneurial Acumen
- Reading, Writing and Arithmetic Abilities
- Information Resources
- Community Links

Physical and Financial Assets

- Tools and Implements
- Input Stocks (seeds, etc.)
- Land, Forests, Pastures and Water Use Rights
- Operating Capital (cash)

Asset Augmentation Happens When Value of Poor Households' Outputs Exceeds Basic Needs

Asset Depletion (human, physical, or financial)
Occurs when Value of Output falls below Basic
Needs.

Poverty Results from Exclusion from Markets by
inadequate policies and institutions

Rural life is risky and uncertain !

*Economic Vulnerability is the
irreparable depletion of
human capital and assets by
unexpectedly bad outcomes in
market transactions.*

Economic Vulnerability Leads to Depletion of Assets and Human Capital

- Uncertain tenure over assets (land, water, forests, pastures, etc.) results in poor husbandry (depletion) and low innovation
- Unsustainable policies and institutions add risk and uncertainty to rural life by preventing markets from working for the RURAL POOR
- Economic exclusion of the poor on ethnic, class and regional criteria adds to vulnerability
- **Dependence on single commodities and “Market Windows” is RISKY!**

Strategic Priorities to Reduce Economic Vulnerability

- Support rural entrepreneurs through community based and *business cluster linkages to measure risks and perceive opportunities* in domestic and global markets (*B2B Links; “Smart Partnerships”*)
- Sustain market intelligence systems at local levels
- Community-based delivery of “public goods”; S&T
- “Safety nets” that enhance asset augmentation
- Macroeconomic Stability and Low Uniform Simple Tariffs (LUST)